

Lease of Communal Property by Ukrainian Small and Medium Enterprises Analytical Report

Author's Name: Taylor Nelson Sofres

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I. PROBLEM

In market economy business is the major source of budget revenues. Therefore deregulation of business activity, which implies reduced interference of different level state authorities with operations of businesses, is one of priority areas of economic reform in Ukraine. Sufficiency of financial and material resources (both own and attracted) required for business activity is an important condition of business development. Unfortunately, such category of fixed assets as immovable property is rather an exception, than the rule for the majority of businesses.

This situation can be explained by local self-governance authorities' monopoly on the market of nonresidential property, which, in its turn, results in situation, when the most of nonresidential property belongs to entrepreneurs on lease rights, thus requiring their permanent contact with state authorities and local self-governance bodies.

At the same time, adoption of the Constitution of Ukraine, which defines communal/municipal property not as the type of state property, but as a separate, independent type of property, the subjects of which are residents of villages, towns and cities, served as an additional impulse for the development of legal framework for communal property management.

Due to the above, creation of legal framework to properly regulate the lease of communal property has become an extremely pressing issue.

Meanwhile, the analysis of lease-related regulations adopted by different local territorial communities enables to make conclusions regarding some common shortcomings. Most local communities have no clear idea (on the level of local regulations) of strategy for the development of relations related to the lease of communal property owned by specific territorial community. To eliminate this shortcoming, Program experts developed the concept for regulation of relations regarding the lease of property owned by town's local/territorial community. This concept serves a «constitution» (guiding line) for adoption of other local community regulations. The concept specifies the following goals of communal property lease: 1) increasing the effectiveness of use of community's property; 2) securing privatization of communal property; 3) creation of favorable conditions for business development within the community.

The goal that local community deems to be a major one is to be specified in its local regulation - Concept for regulation of lease relations within the community. Among other practical shortcomings it is worth noting that the inventory of communal property has not been made in the majority of Ukrainian settlements and cities. Local authorities do not have complete information on communal property and property that can be leased.

During the inventory of communal property in some cities of Ukraine local self-governance authorities discovered a lot of nonresidential premises that were in illegal use. Accordingly, local budgets under-received the payments due for the use of this property.

Timely and prompt lease of property, transparent procedures, and clear “rules of the game” are essential constituents of effective communal property management.

Based on the data of sociological research, the majority of Ukrainian regions are characterized by unfavorable “legal climate” for the lease of communal property. First of all, this refers to the following:

- issues on provision of information about leased property or property available for leased. In most local communities in Ukraine there are no registers of communal property objects, and no regulations regarding obligatory publication of information on objects available for lease;
- non-transparent mechanisms for obtaining the right to lease communal property;
- over-bureaucratic, complicated and excessive procedures for property lease.

On the other hand, lessees of communal property provide for significant revenues to the local budget. Thus, local authorities should be interested in improvement and simplification of procedures. Prompt preparation and processing of respective documents and lease of property will secure timely revenues to the local budget.

Package/comprehensive resolution on communal property lease is based on the principals of simplicity, transparency of all procedures, provision of complete information regarding lease relations, equal conditions for all businesses as regards the lease of communal property, and partnership between state authorities and business owners. Much attention was focused on creation of mechanisms preventing officials from local authorities from abusing their powers. Package resolution to this effect has been approved and covers the issues of communal property lease stipulated by the Law of Ukraine «On Lease of State and Communal Property», methodology for calculation and use of rent, as well as other issues that arise in contractual relations related to the lease of communal property.

II. DESCRIPTION OF THE RESEARCH

GOAL OF THE RESEARCH - To describe current situation in regulating the issues of communal property lease by local authorities.

TASKS OF THE RESEARCH:

- To determine the degree of entrepreneurs' satisfaction with concluded lease agreements.
- To determine obstacles, which complicate the lease of communal property.
- To determine obstacles, which may influence the transparency of mechanisms for leasing communal property.

SAMPLE

The sample totals 1957 respondents distributed among cities depending on the size of population in each city. Sample aggregate was split into 2 types:

- **first type** - cities, which did not adopt the “new” rules of communal property lease.
- **second type** - cities, which adopted the “new” rules of communal property lease (Lviv, Mykolayiv, Dniprodzerzhynsk, Kherson, Evpatoriya, Feodosiya, Alushta, Saky).

The following number of the respondents has been interviewed:

Table

? 1

	Cities	Date of adoption of “new”* lease rules	Total number of the respondents	Number of the respondents, which lease communal property in accordance with “new” rules
1 Type	Cherkasy		50	
	Chernivtsi		40	
	Poltava		48	
	Kremenchug		35	
	Ivano-Frankivsk		40	
	Lutsk		28	
	Odesa		156	
	Dnipropetrovsk		170	
	Sumy		50	
	Vinnytsa		60	
	Zaporizhzhya		130	
	Donetsk		160	
	Kirovograd		45	
	Total		1012	
2 Type	Lviv	11.01.2001	360	84
	Mykolayiv	29.05.2001	215	76
	Dniprodzerzhynsk	26.07.2000	75	27
	Kherson	29.09.2000	165	71
	Evpatoriya	26.04.2001	55	50
	Feodosiya	21.02.2001	39	39
	Alushta	15.06.2001	20	10
	Saky	22.08.2001	15	7
	Total		945	364
	Total for Ukraine		1957	

* - “New” lease rules are documents recently adopted by local authorities that regulate the lease of communal property.

RESEARCH METHODOLOGY

The research has been conducted using the method of personal interview at a respondent's office.

CRITERIA FOR SELECTION OF THE RESPONDENTS

Quota sample was used for carrying out this research. Criteria for a quota's formation were as follows:

1. Size of a company for both types of cities (in which the "new" lease rules have been adopted, and in which the "new" lease rules have not been adopted);
2. Date of adoption of the "new" lease rules for the cities where local authorities adopted documents governing the lease of communal property.

In these cities the respondents that concluded lease agreements after the adoption of the "new" lease rules, have been interviewed in the first place. For each city the Client provided information on the date of adoption of such decision. Since in many cities that adopted "new" lease rules these rules have come into force only recently, ratio between those, who work in accordance with the "new" rules and those who work in accordance with the "old" rules in one city is given in **table ? 1**.

QUOTA OBSERVANCE BY COMPANY SIZE:

Diagram 1

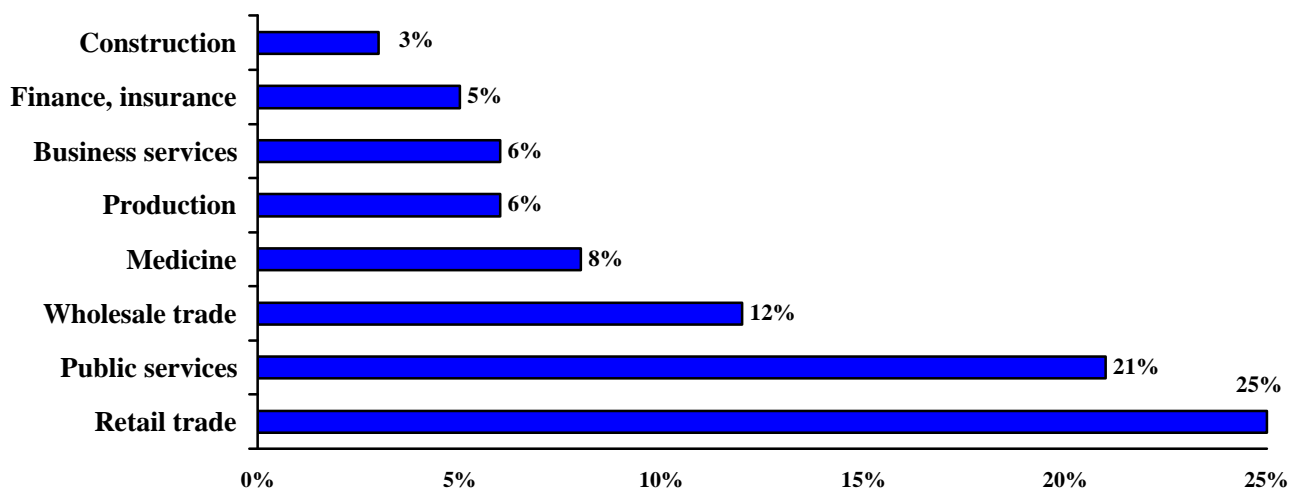
Number of employs	% of respondents
Up to 5 people	21
6-50 people	71
51-250 people	8

RESPONDENTS' PROFILE

Enterprise directors, chief accountants (their deputies), legal advisors and private entrepreneurs were involved as respondents in this survey.

It was supposed, that the respondents might have faced different problems related to the communal property lease depending on the profile of their business. Therefore, a criterion as to different spheres of business was also observed during the research.

Diagram 2: BREAKDOWN BY BUSINESS PROFILE (AREAS OF BUSINESS OPERATIONS)



25% of the respondents operate in the area of retail trade; 21% - consumer services enterprises; 12% - wholesale trade; 8% - medicine; 6% - manufacturing; and 6% - provision of business services.

Field stage of the survey was carried out from December 12, 2001 through January 25, 2002.

III. RESUME

Situation regarding communal property lease in Ukraine.

1. GENERAL INFORMATION ON LEASE OF PROPERTY AND LEASE AGREEMENT.

- 80% of respondents are satisfied with concluded lease agreements.
- 35% of respondents concluded a lease agreement for a term up to 1 year, and 39% - for a term more than 3 years.
- 49% of businesses use leased premises as an office and 24% - for retail trade. At the same time, 44% of respondents lease premises in residential buildings and 13% lease premises of enterprises.
- 32% of respondents have additionally stipulated conditions on repair of premises in their lease agreements; 16% of respondents have stipulated conditions of payment for public utilities; 11% - conditions for development of neighboring territory. 4% of the respondents additionally stipulated insurance and fire safety conditions irrespective of the fact that these are mandatory terms and conditions for any lease agreement.
- The respondents, who did not stipulate additional lease conditions specified that they are mostly interested in compensation for repair of leased premises - 12%, and long-term lease - 8%.

2. CHARACTERISTICS OF LEASED PREMISES

- 82% of the respondents specified that they had renovated leased premises; of these, 30% made major repair.
- 93% of respondents renovated leased premises at their own expense, only in 2% of cases the lessor paid the cost of renovation works.
- 87% of the respondents stipulated compensation for renovation in their lease agreements; in 2% of cases a lease agreements were terminated after the repair was made.
- 69% of respondents who did not renovate leased premises did not do it due to good condition of premises.

3. PROCEDURE FOR CONCLUSION OF LEASE AGREEMENT

- **Prior to conclusion of lease agreement**, half of the respondents spent more than 2 weeks to get all authorizations and permits from respective authorities; for 9% of the respondents it took over 3 months. Almost 1/5 of the respondents spent more than 10 working hours at each respective authority and 1/4 of the respondents incurred unofficial expenses to pass all respective authorities.

4. FORMATION OF RENT

- 76% of the respondents are satisfied with the procedure for evaluation of the object of lease and 67% of the respondents are satisfied with amount of rent.
- 51% of the respondents stated that evaluation of the object of lease has been made in accordance with preferences of a lessor and in 46% of cases evaluation has been made by professional appraisers.
- For 49% of the respondents the amount of rent has been fixed at maximum possible rate stipulated by current Ukrainian legislation; for 43% of the respondents the amount of rent has been set by mutual agreement of the parties; in 1% of cases the rent was set on tender basis.
- 19% of the respondents faced disputes in process of communal property lease. 82% of the respondents resolved these problems directly with a lessor; 9% - used the assistance of their influential friends and 7% of the respondents applied to the court.

5. INFORMATION SUPPORT OF THE PROCESS OF LEASE

- 15% of the respondents used the communal property Register when looking for premises. 59% of those who did not use the Register were unaware of its existence.
- 47% of the respondents are satisfied with information provided on premises available for lease, and 49% of the respondents are dissatisfied with provision of such information.
- When looking for premises available for lease, 47% of the respondents had no difficulties finding information about them; 30% of the respondents had difficulties, and 13% of the respondents stated that it was very difficult for them to find such information.
- 47% of the respondents received such information from their friends; 27%- from representatives of local authorities.
- According to 31% of the respondents, friends are the most reliable source of information, and 20% of the respondents stated representatives of local authorities to be the most reliable source of information.
- Business owners put forward the idea that it would be advisable to publish a specialized newspapers/magazines containing information about premises available for lease. Actually it puts forward the idea of publishing the communal property Register for the general public.

IV. RESEARCH RESULTS

FORM OF PRESENTATION OF FINDINGS

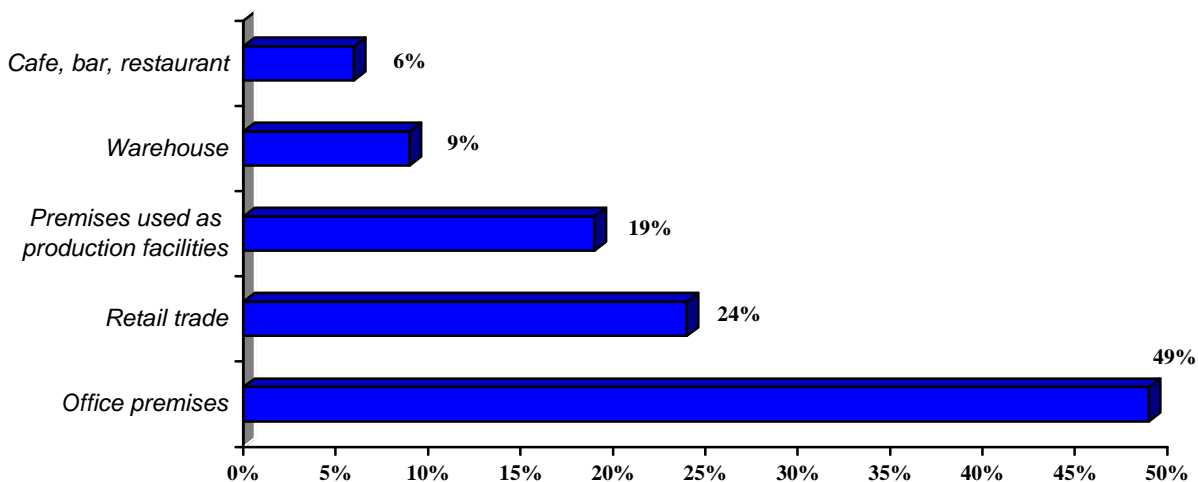
When presenting the research results we use per cents relative to all who have answered respective interview question. The total of 1957 respondents have been interviewed. If not all respondents answered a question, the number of those who responded is given in brackets.

1. GENERAL INFORMATION ON LEASED PREMISES AND LEASE AGREEMENT

This section describes specific characteristics of leased premises, as well as various specific aspects related to conclusion of lease agreement, such as: term of a lease agreement, sublease of communal property, degree of satisfaction with concluded lease agreement.

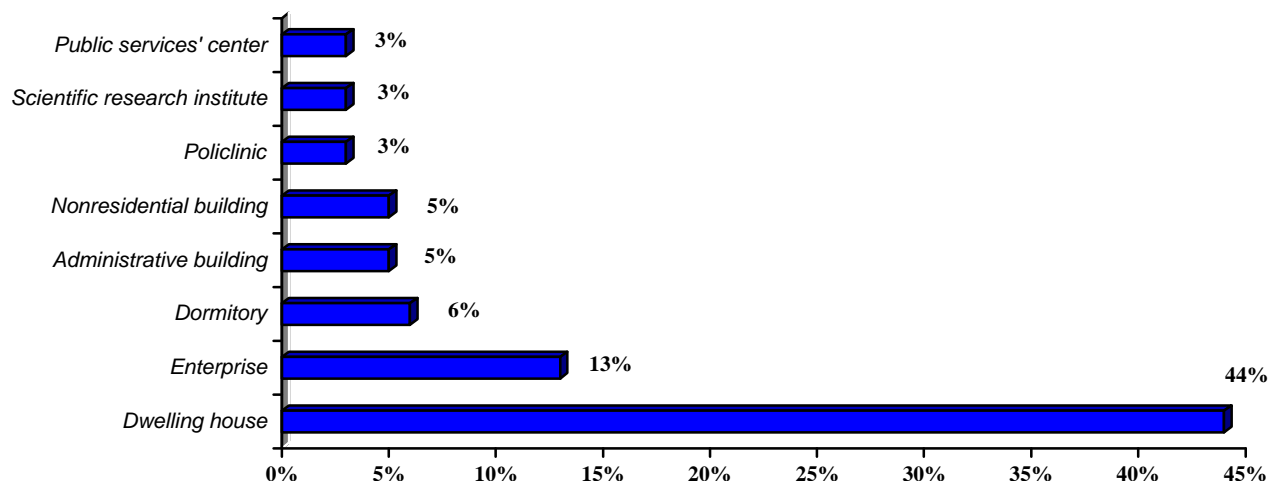
- In most cases leased premises are used as an office - 49% (of all interviewed companies). Premises used for retail trade rank second – 24%.

Diagram 3. Function destination of premises



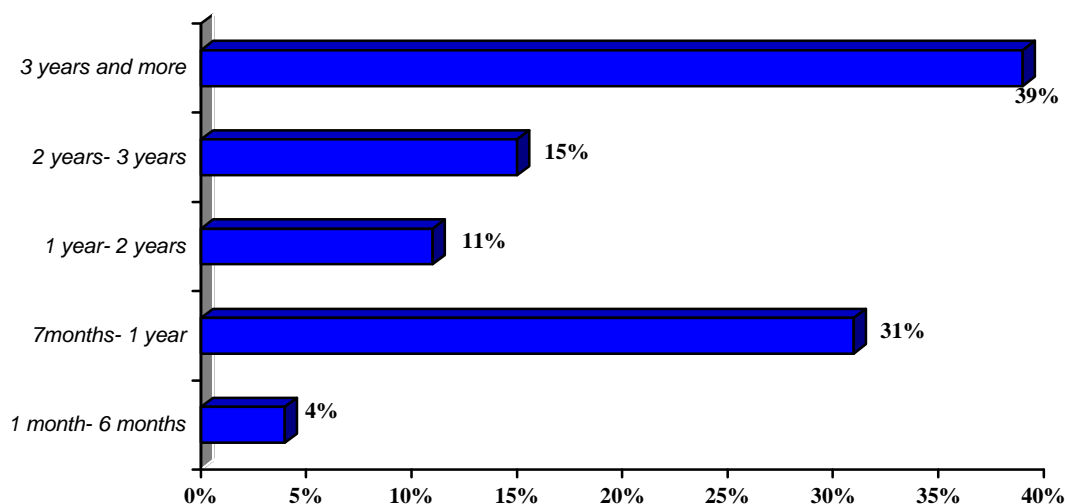
- 44% of companies lease communal property in residential buildings; 13% - in premises of enterprises; 6% - in dormitories, and 5% - in administrative buildings.

Diagram 4. Type of buildings in which communal property is leased



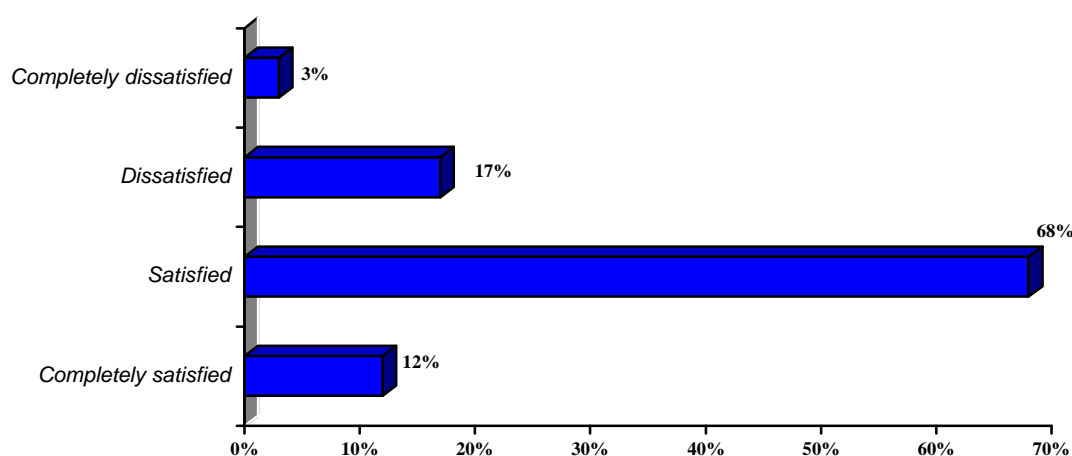
- We can single out 2 groups regarding the term of a lease agreement. The largest group - 39% of the respondents - comprises companies that concluded lease agreements for the term over 3 years. The second group - 35% of the respondents – includes companies that concluded lease agreements for up to 1-year term.

Diagram 5. Term of lease agreement



- 14% of the companies use sublease agreement:
- Most of respondents (80%) are satisfied with concluded lease agreements. Only 3% of the respondents are completely dissatisfied with concluded lease agreements, and 17% - are dissatisfied with some aspects and provisions of concluded agreements. The aggregate proportion of dissatisfied respondents totals 20%. Thus, the majority of respondents have positively evaluated concluded lease agreements.

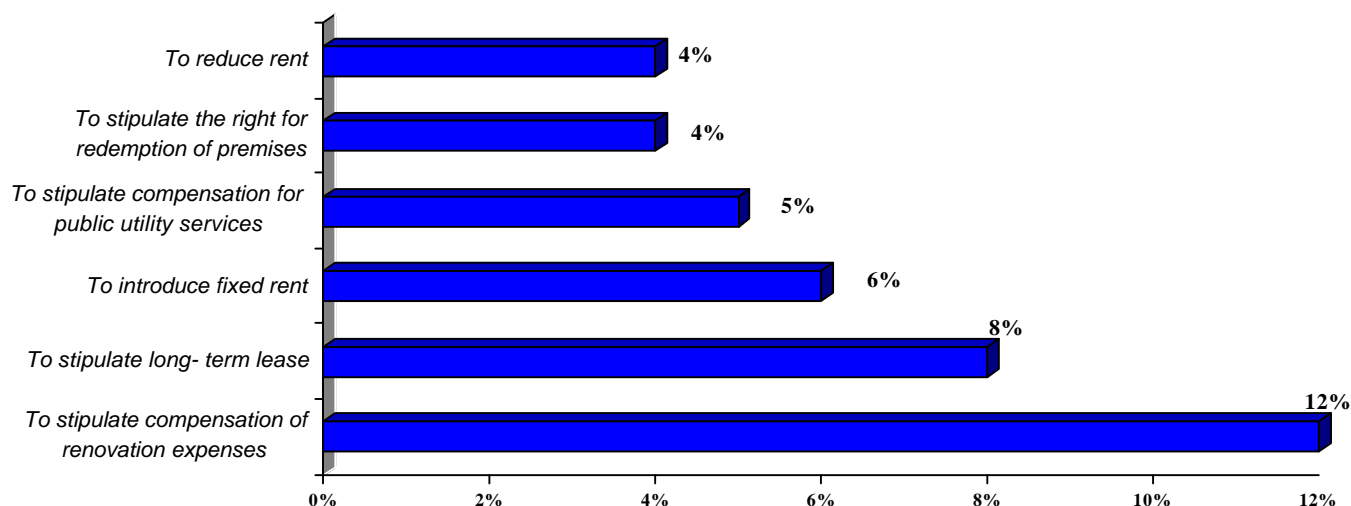
Diagram 6. Degree of satisfaction with concluded lease agreements



- The respondents dissatisfied with concluded lease agreement stated the following reasons for dissatisfaction:
 - ◆ 49% - rent amount;
 - ◆ 18% - term of lease agreement;
 - ◆ 10% - obligations of the parties;
 - ◆ 6% - reliability of the parties;
 - ◆ 6% - rights of the parties.

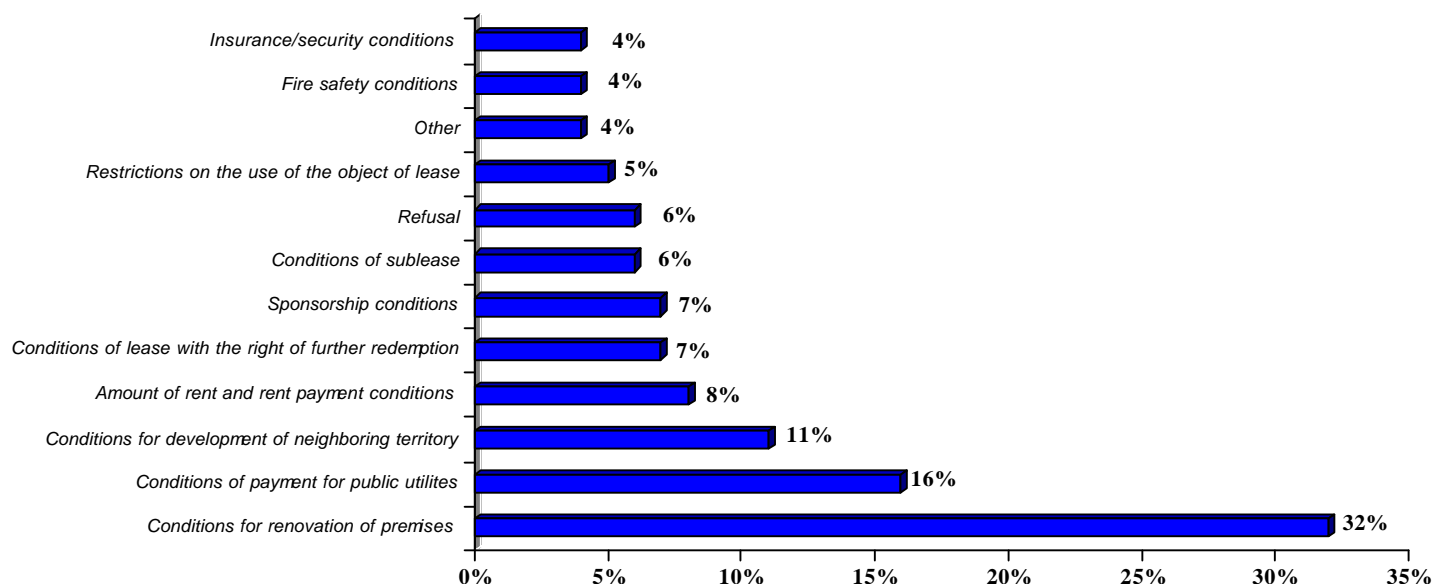
- Survey questionnaire included an open-ended question allowing respondents to specify terms and conditions that should be stipulated in a lease agreement in order to fully satisfy the interests of both parties. The most frequent answers are given below. 12% of entrepreneurs (of 1 204 business owners who answered the question) would stipulate compensation for renovation of premises; 8% - conditions of long-term lease; 6% - fixed rent; 5% - conditions of payment for public utilities; 4% would stipulate the right for redemption of leased premises and 4% of the entrepreneurs would stipulate reduction of rent.

Diagram 7. Terms and conditions that business entities would like to stipulate in a lease agreement



- 91% of the entrepreneurs have used a standard procedure for conclusion of a lease agreement without introduction of any special conditions thereto. Only 9% of the respondents have stipulated additional conditions in addition to those, which are obligatory for any lease agreement.
- It is interesting to analyze what exactly business owners specified as additional conditions. The most frequently stipulated additional conditions are as follows: conditions for renovation of a building/premises - 32%, conditions of payment for public utility services - 16%, conditions for improvement/development of neighboring territory -11%, rent amount and rent payment conditions – 8%, conditions of lease with the right of further redemption -7 %, sponsorship conditions - 7%, insurance conditions - 4%, fire safety conditions -4%.

Diagram 8. Additional conditions of a lease agreement



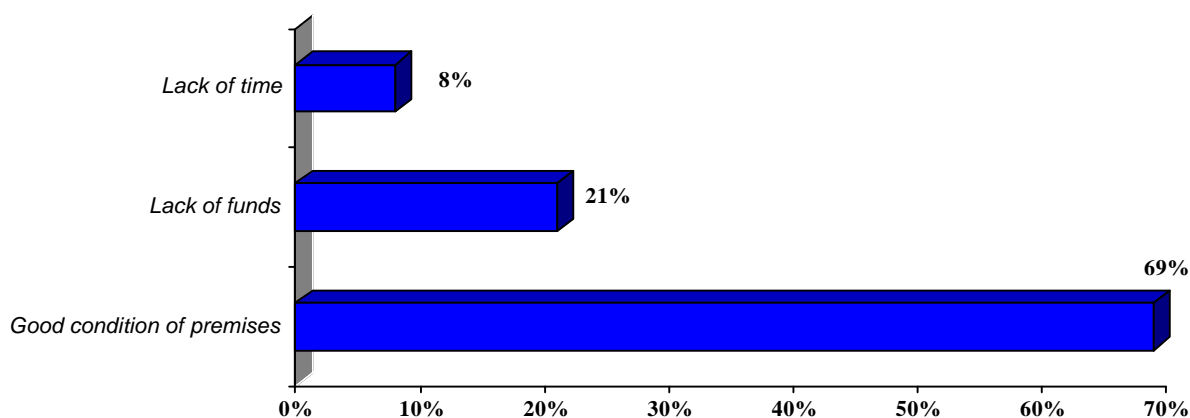
Although insurance and fire safety conditions are obligatory conditions of any lease agreement, 4% of entrepreneurs would like to stipulate them additionally.

2. CHARACTERISTICS OF LEASED PREMISES

This section refers to the issues of renovation of leased premises, funding of repair and reimbursement of renovation costs. It is worth noting, that renovation of leased premises is a serious problem of lease relations, because in most cases renovation costs incurred by the lessee are not reimbursed. This results in various disputes and decreases the degree of satisfaction with lease agreement in general.

- 82% of interviewed respondents have renovated leased premises. Of these, 30% have made major repair.
- Among those who did not renovate the premises, 69% of entrepreneurs (of 338 business owners who answered the question) made no renovation because of good condition of leased premises, 21% - due to the lack of funds for renovation, and 8% - due to the lack of time.

Diagram 9. Why did not you renovate the premises?



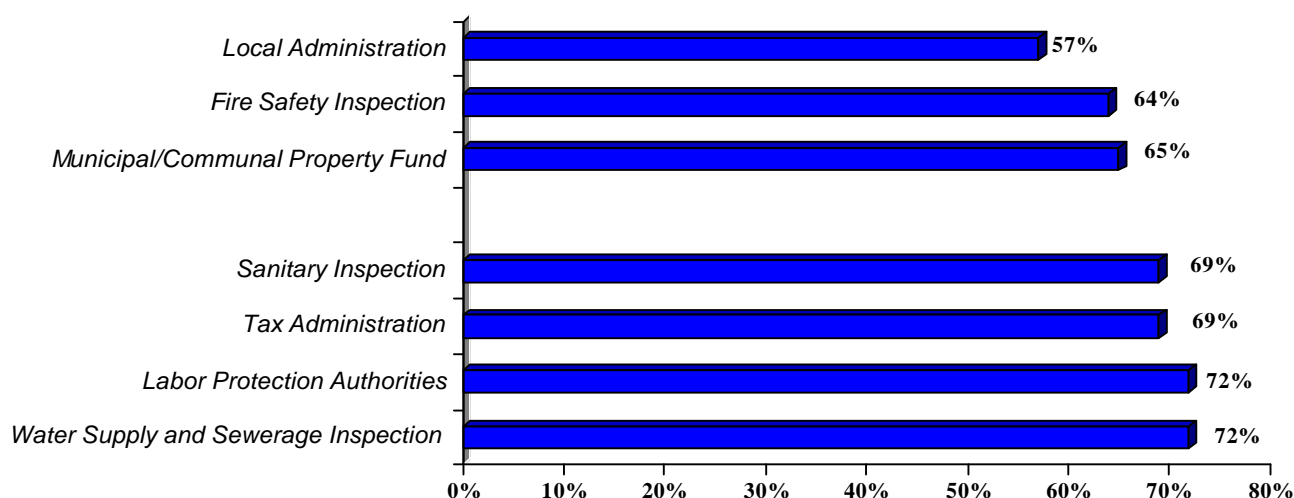
- 93% of respondents (out of 1619 who responded) specified that renovation was made at the expense of a lessee. In 2% of cases renovation was made on account of rent payments. And in 2% of cases both the lessee and the lessor shared renovation costs.
- Lease agreements concluded by 87% of entrepreneurs (out of 1619 who responded) stipulated no provisions for reimbursement of renovation costs. In 1% of cases lease agreements were terminated after renovation had been made and in 1% of cases there were attempts to terminate it.

3. PROCEDURE FOR CONCLUSION AND TERMINATION OF LEASE AGREEMENT

This section describes the barriers that arise during the conclusion and termination of lease agreements, related expenses, as well as issues on prolongation of concluded lease agreements.

- During the survey the respondents were given a list of state institutions and asked to state those where they face most difficulties when concluding lease agreements: Local Administration/local state authorities, State Authorities for Supervising the Protection of Labor, Municipal/Communal Property Fund, Water Supply and Sewerage Inspection, Tax Administration, Power Inspection, Fire Safety Inspection, Sanitary Inspection
- Almost all entrepreneurs stated that they had to visit all institutions specified in the list. They faced the least difficulties with Labor Protection Authorities - 72% and Water Supply and Sewerage Inspection - 72% (out of 1127 respondents). Tax Administration and Sanitary Inspection rank second: 69% out of 1204 respondents had no difficulties dealing with these authorities. Local Administration proved to be the most difficult institution - only 57% out of 1566 respondents had no difficulties with local state authorities.
- The respondents have added Technical Inventory Bureau (2%) and City Department for Housing and Communal Services (4%) to institutions and authorities mentioned in the list.

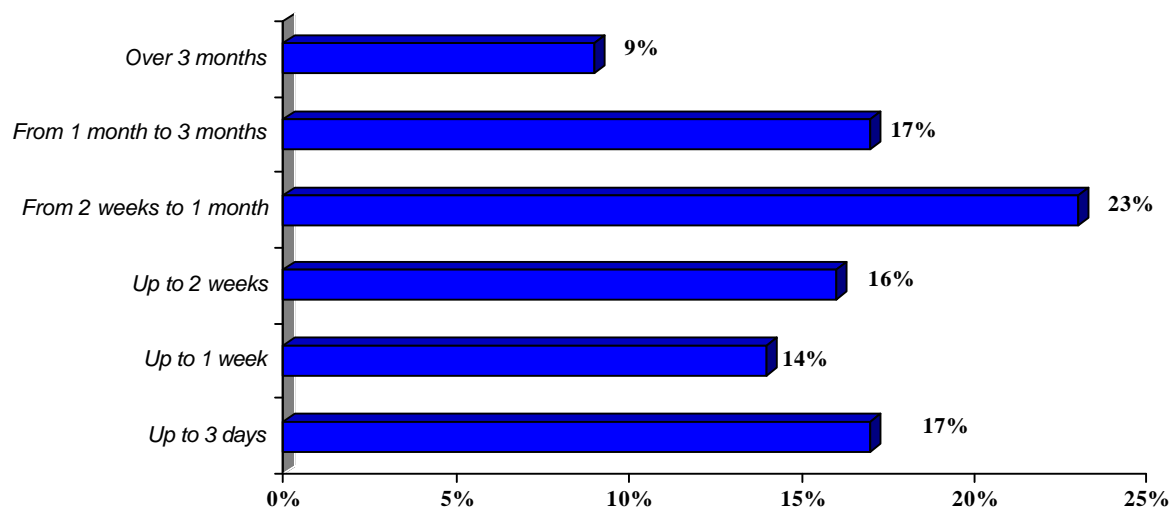
Diagram 10. Percentage of the respondents, who had no difficulties dealing with state institutions



Survey questionnaire included a special question about the total time spent by respondents to pass all institutions and authorities. We received the following results.

- In general, for 17% of the respondents it took up to 3 days to pass all institutions; 14% - up to 1 week; 16%- up to 2 weeks; 23% - from 2 weeks to 1 month; 17% - from 1 month to 3 months, and 9% of the respondents spent over 3 months. Thus, for 50% of business owners it took over 2 weeks to have all document processed by respective authorities.

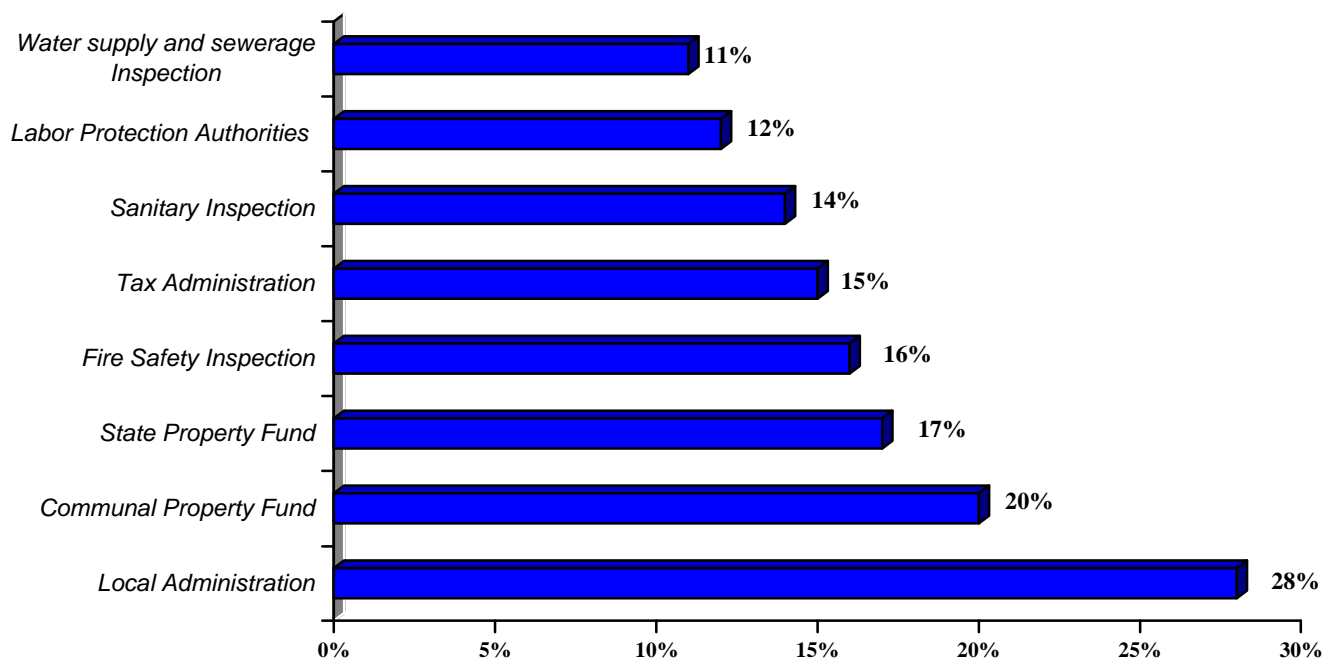
Diagram 11. Total time spent on passing all institutions during the conclusion of a lease agreement



The respondents were asked to specify the time they spent with each respective institution during the conclusion of a lease agreement.

- Entrepreneurs spent most of their time (over 10 hours) visiting Local Administration - 28%, Communal Property Fund - 20%; State Property Fund - 17%, Fire Safety Inspection - 16%, Tax Administration - 15%, Labor Protection Authorities - 11%.
- Overall, 64% of the entrepreneurs spent up to 50 working hours from the moment of finding suitable premises for lease till the moment of concluding lease agreement; 17% of the respondents spent from 50 to 100 working hours; 11% - from 100 to 200 working hours; 8% of the respondents spent over 200 working hours.
- Thus, 19% of entrepreneurs spent over 100 working hours to find suitable premises and prepare all necessary documents.

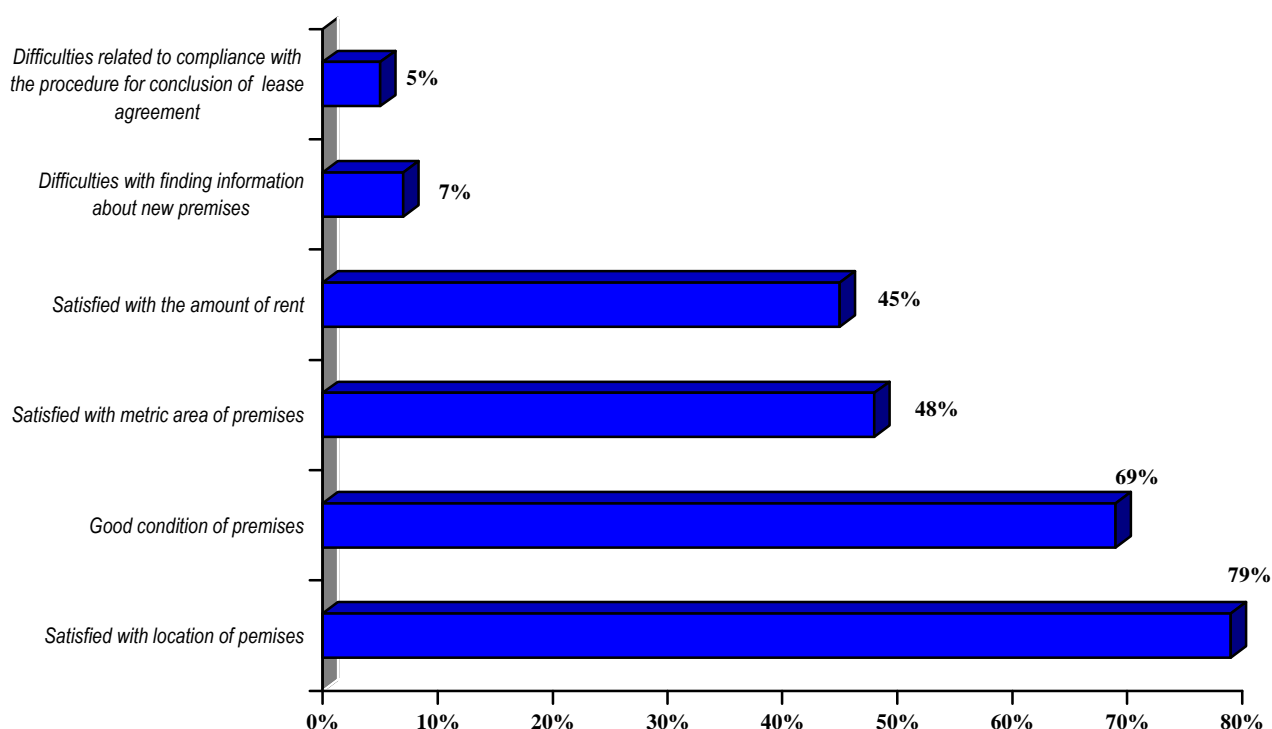
Diagram 12. State institutions in which entrepreneurs spent more than 10 hours



- 61% of interviewed respondents prolonged their lease agreements, and 39% did not practice extension of agreement.
- The reasons for prolongation of lease agreements are as follows: 79% of businesses were satisfied with location of leased premises; 48% of the respondents were satisfied with metric area of leased premises; and 45% of the respondents stated the amount of rent payable for leased premises to be the major reason for extending existing lease relations.

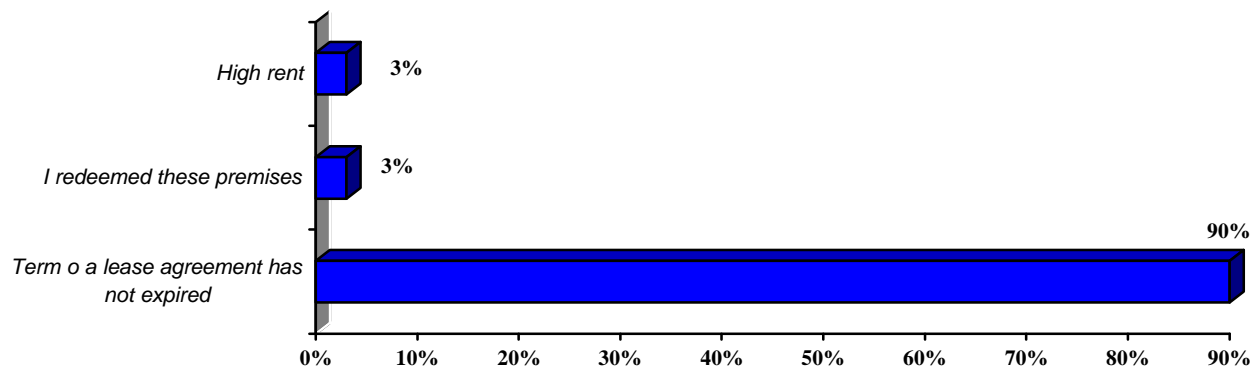
Diagram 13. Reasons for prolongation of lease agreements (1204 respondents)

Since it was allowed to choose several options, the total of answers exceeds 100%.



- Since this survey was called to research “new” rules of lease, one of the main criteria for selecting respondents was searching for businesses that concluded lease agreements in 2000/2001. Therefore, 84% of entrepreneurs (out of 753 respondents) did not practice the extension of lease agreements because the term of current lease agreements has not expired. As for the respondents who refused to prolong lease agreements, their reasons were as follows: 3% of entrepreneurs redeemed leased premises; 2% - refused to extend the lease because of high rent; 2% of the respondents found more lucrative options; 1% of the respondents failed to come to terms with a lessor.

Diagram 14. Reasons for refusal to prolong a lease agreement

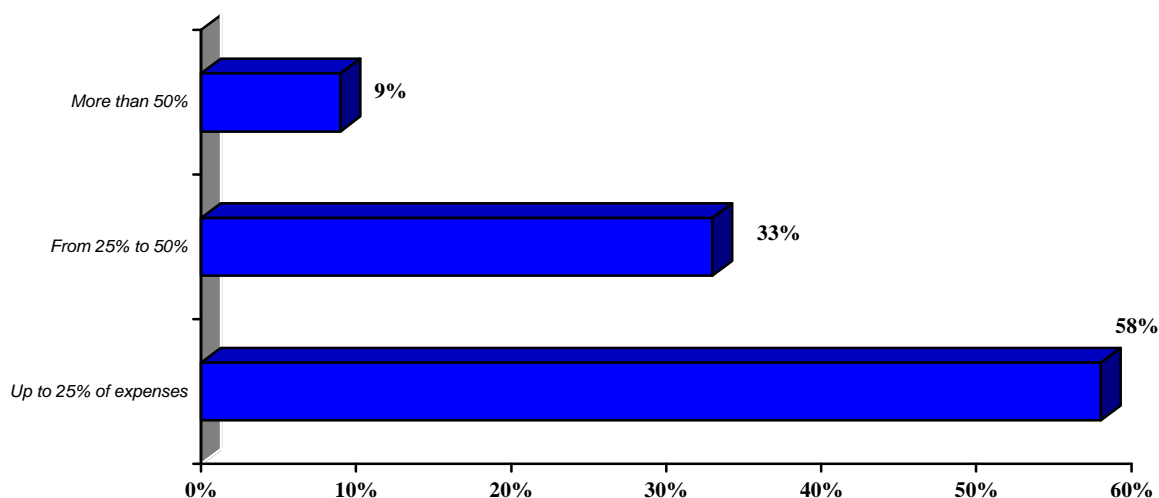


- 11% of entrepreneurs (out of 1204 respondents) found it difficult to exercise the right of first refusal to extend lease agreement. Such difficulties were related to bureaucratic barriers (47%); large amount of unofficial payments (34%). For 11% of the respondents such difficulties have been caused by bad relationships with a lessor.
- With 27% of the respondents, lease agreements stipulated the conditions on restricting the use of leased premises for certain types of business activity. Accordingly, lease agreements concluded by 73% of respondents included no provisions restricting the use of leased premises.
- 14% of entrepreneurs experienced the termination of lease agreement. Of these, 53% of the respondents stated that the termination procedure was initiated by the lessor; 40% - by the lessee; and 2% - upon mutual consent of the parties.
- In 27% of cases (out of 273 respondents) the conditions of lease termination were not observed.
- With 63% of respondents a lessor inspected leased premises. In 14% of cases inspection has been conducted several times a month, 28% - once a month; 40% - repeatedly within several months.
- 11% of entrepreneurs (out of 1229 respondents) had conflict situations during such inspections.

One of the most difficult problems of quantitative research is determining cash equivalent of any procedures. In our case, we applied the approach, that allows to define not the absolute cost value of specific procedure, but ratio/correlation between certain variable values (official and unofficial payments). As a result, we received the index that shows existing proportion/percentage of unofficial payments in the total amount of payments.

- 58% of business owners (out of 284 respondents) stated up to 25% of unofficial payments; 33% of entrepreneurs incurred 25% - 50% of unofficial expenses; and 9% - bore over 50% of unofficial expenses when concluding lease agreements. Although many interviewed entrepreneurs refused to answer this question, we can state that in general 1/5 of entrepreneurs have to bear significant unofficial payments during the conclusion of lease agreements (approximately 1/4 of all payments).

Diagram 15. Unofficial expenses incurred by entrepreneurs during the conclusion of lease agreements

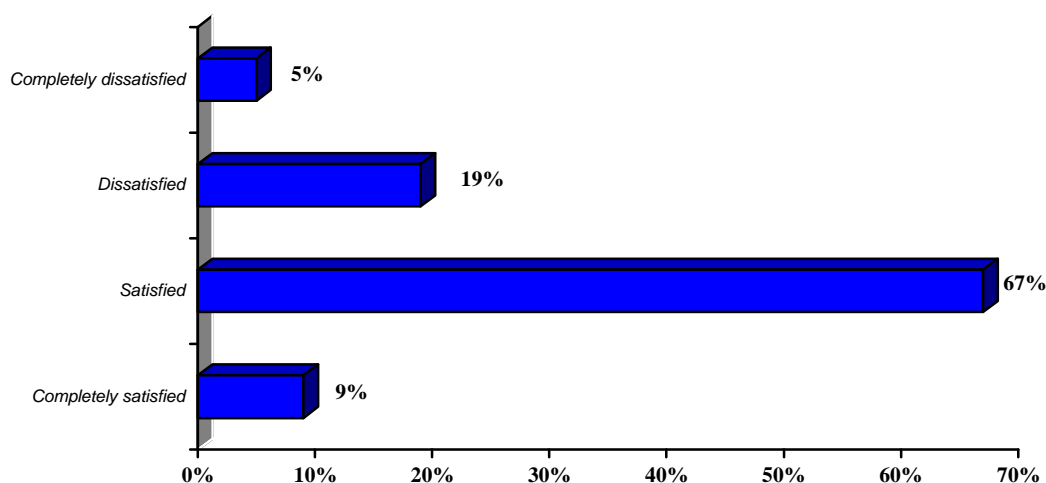


4. FORMATION OF RENT

This section describes the procedure for evaluation of an object of lease and mechanisms for fixing the amount of payable rent. Tender is an important aspect of rent formation. On the one hand it secures proceeds to the local budget, on the other hand the procedure for fixing the rent becomes more transparent.

- 51% of the respondents stated that the evaluation of an object of lease has been made pursuant to the requirements of the lessor; in 46% of cases professional estimators have been involved.
- Only 9% of all respondents were completely satisfied with evaluation procedure.

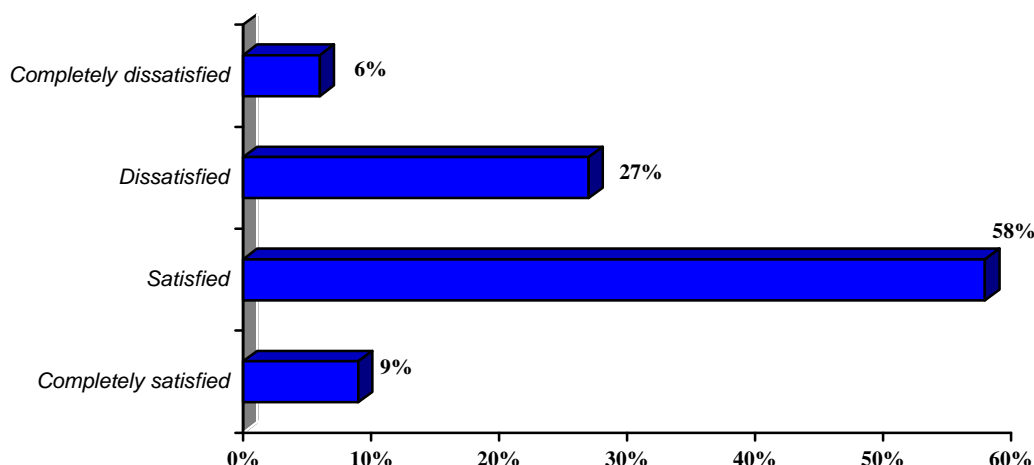
Diagram 16. How satisfied are you with the procedure for evaluation of the object of lease applied in your case?



- Nevertheless, 24% of entrepreneurs are dissatisfied with evaluation procedure.
- What are the reasons for dissatisfaction? According to 50% of the respondents the procedure was biased; 40% stated a high cost of this procedure, and according to 21% of the respondents this procedure was not transparent.

- 45% of the respondents stated that the amount of rent was set at a maximum possible rate stipulated by Law. In 43% of cases the amount of rent was set upon mutual agreement of both parties. In 2% of cases various benefits were used when determining the amount of rent. In 1% of cases the amount of rent was fixed by local state authorities. And in another 1% of cases (25 entrepreneurs) it was set on a tender basis.
- According to 60% of the respondents who participated in a tender, it was fair and transparent; 24% of the respondents stated that the tender was a mere formality.
- 58% of the respondents are satisfied with the amount of payable rent (of these, 9% are completely satisfied). 6% of the respondents are completely dissatisfied with the amount of rent, and 27% are partly dissatisfied.

Diagram 17. Degree of satisfaction with a rent



- 53% of entrepreneurs stated that their rent had changed during the last year. 43% stated no change. Most often (61% out of 1045 respondents) the change was initiated by the lessor. In 31% of cases local authorities initiated changes in the amount of payable rent. It is worth noting, that in 92% of cases such changes meant the increase of rent.
- There have been disputable situations in 19% of cases. Mostly, these disputes were resolved directly with the lessor (82%). Only 7% of the respondents applied to the court of law. 9% of the respondents requested the assistance of their influential friends to resolve the disputes.

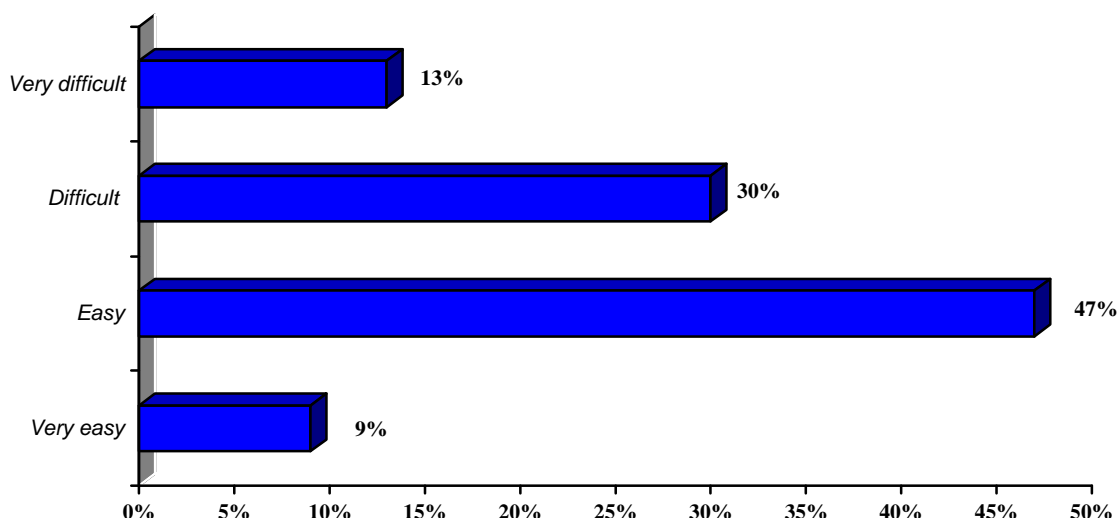
5. PROVISION OF INFORMATION DURING THE PROCESS OF LEASE

In order to facilitate the search for necessary respondents working pursuant to the “new” lease rules, 2 weeks prior to the beginning of the field stage SOCIS started searching for the Register of communal property in the cities where “new” lease rules have been adopted. In accordance with the “new” rules, this Register must be available to all interested parties (even must be published). In one city the Communal Property Department was willing to cooperate and we got access to the required information. In 6 cities it took us a lot of efforts to get access to the information. In one city we faced flat refusal and even negotiations with the Deputy Head of Communal Property Department proved useless.

In general, the situation regarding provision of information during the process of lease is as follows.

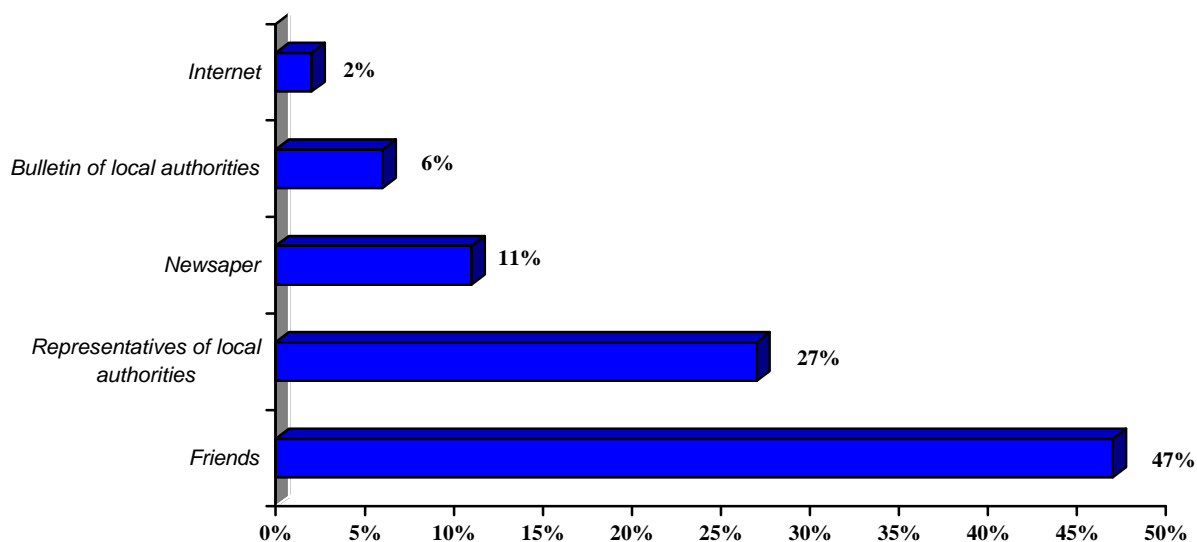
- 43% of the respondents stated serious difficulties when trying to get necessary information about premises available for lease. According to 13% of them, it was very difficult to find such information.

Diagram 18. How difficult it was to find necessary information about premises available for lease?



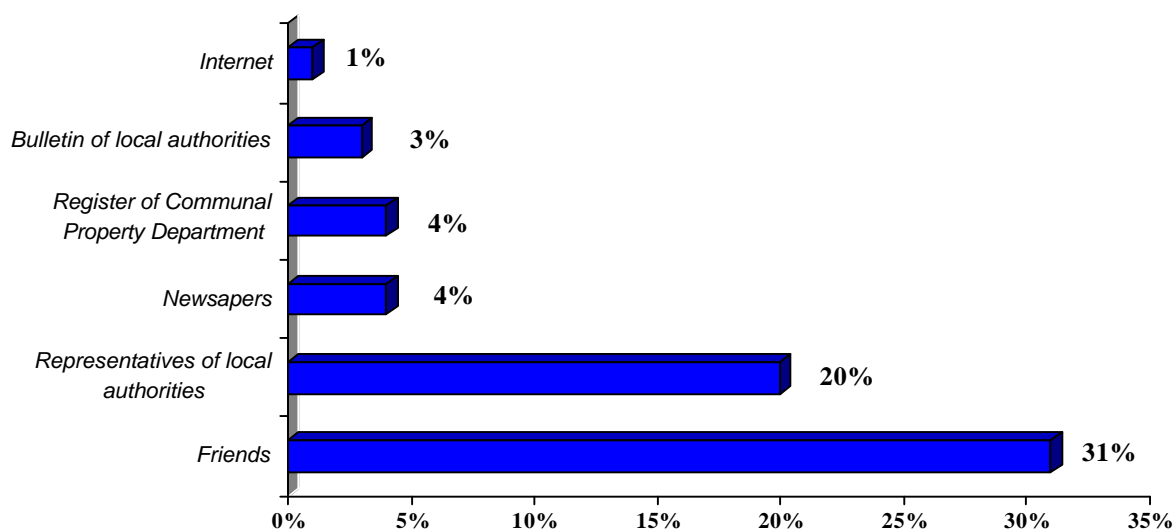
- 47% of the respondents received information about premises they have leased from their friends; 27% - from representatives of local authorities, 15% - from the Communal Property Department.

Diagram 19. Source of information about lease of communal property



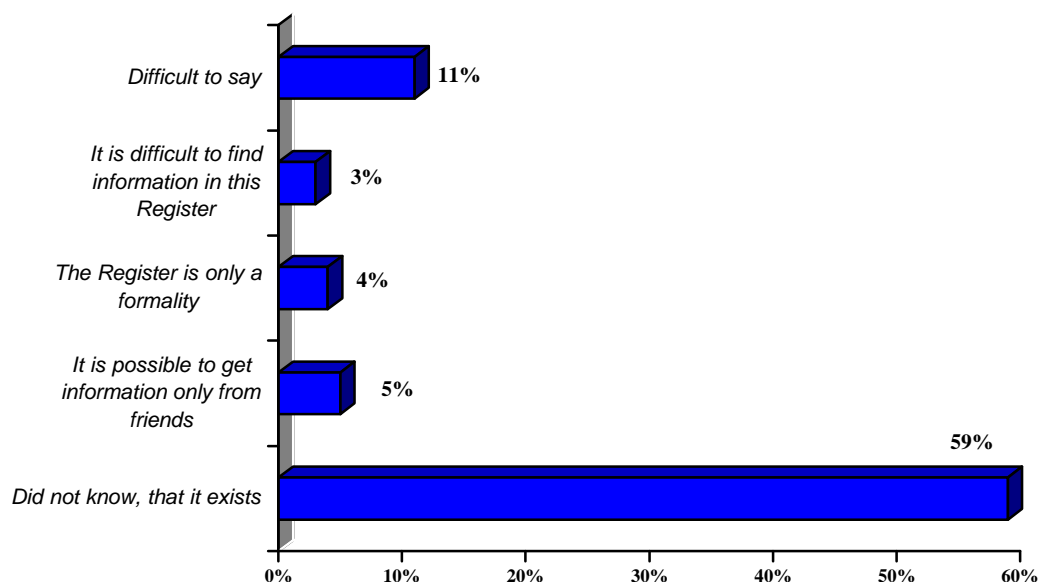
- According to the respondents, friends represent the most reliable source of information - 31%; representatives of local authorities - 20%; newspapers - 4%, the Register of Communal Property Department - 4%; Bulletin of Local Authorities - 3%, Internet - 1%.

Diagram 20. Degree of trust towards various sources of information



- 15% of the respondents used the Register when searching for the premises to lease. 59% of the respondents did not use the Register because they were unaware of its existence, and for 14% of the respondents there was no need in using it.
- 4% of the respondents stated that the Register is kept just as the matter of formality; as viewed by 3% of entrepreneurs, it is impossible to get information from this Register; and 4% of the respondents consider, that it is possible to get information from this Register only through personal connections.

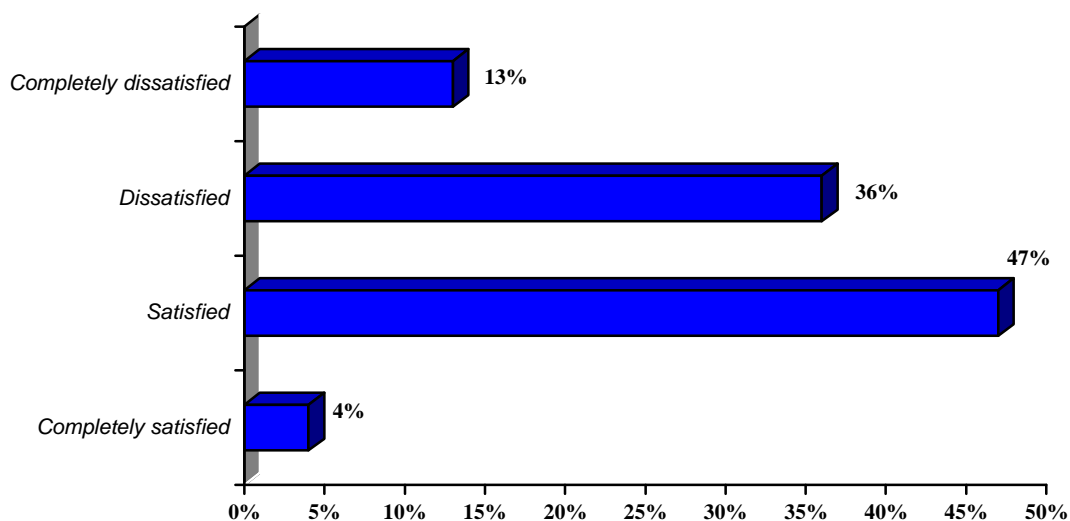
Diagram 21. Reasons for not using the Communal Property Register



- 17% of business owners (out of 976 respondents) believe that the Register is distributed through local authorities; according to 9% of the respondents, the Register is not distributed at all; 62% of the respondents found this question difficult to answer.
- 78% of entrepreneurs (out of 976 respondents) found it difficult to answer the question on the frequency of updating the information included in the Register; according to 7% of the respondents, the Register is updated quarterly; and 4% of entrepreneurs believe that information in the Register is updated annually.
- Survey results show poor awareness regarding the distribution of Communal Property Register.

- In general, 51% of the respondents are satisfied with provision of information about the lease of communal property; 49% of the respondents are dissatisfied.

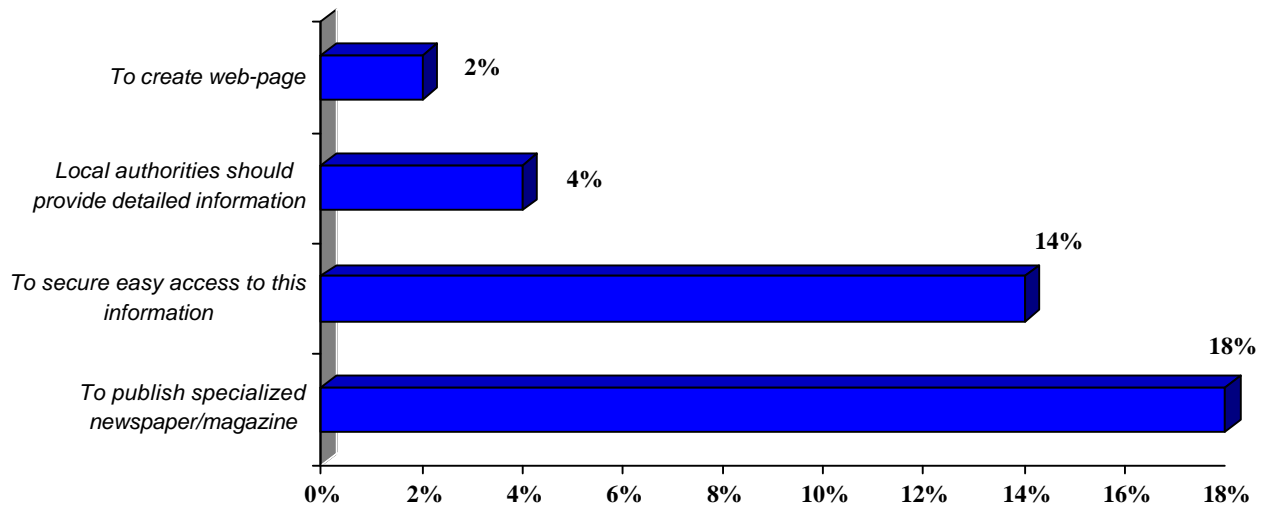
Diagram 22. Degree of satisfaction with provision of information about lease of premises



- Among those dissatisfied with provision of information, 21% of the respondents are dissatisfied with completeness of provided information; 30% of the respondents state that it is difficult to get access to this information; 14% say that information is inaccurate; and according to 12% of the respondents, the information is untimely.

- 18% of the respondents believe that specialized publication is required to improve the provision of information on premises available for lease; 14% of the respondents state that information should be more readily available; 4% of entrepreneurs believe that state authorities should provide this information.

Diagram 23. What should be done to improve the provision of information during the process of lease?



PARICIPANTS OF THE RESEARCH

Program “Regulatory reform in Ukraine” is financed by the US Agency for International Development (USAID) and implemented by the company ARD/Checchi.

Goal of the Program - to promote implementation of regulatory reform in the field of state regulation of business activity in Ukraine. Implementation of this Program should result in improved business environment, creation of new jobs, as well as transparency, predictability, feasibility and efficiency of state regulation. The Program has actively participated in drafting several laws of Ukraine, resolutions of the Cabinet of Ministers in the area regulatory policy reform on the central level, and developed comprehensive recommendations regarding regulatory improvements in specific areas on the level of local authorities. The Program regularly monitors the effectiveness of its recommendations adopted by central and local government by undertaking respective research and survey activities. Sociological research «Lease of Communal Property by Ukrainian SMEs» is one of such efforts.

BIZPRO Project, financed by the US Agency for International Development (USAID), is implemented by the company Development Alternatives Inc. (DAI) and its subcontractors and is called to promote SME development in Ukraine.

Problems related to the lease of communal property by entrepreneurs rank among the reasons that hamper normal development of small and medium business in Ukraine. The Program “Regulatory reform in Ukraine” and BIZPRO Project initiated this research and involved independent company SOCIS in order to study this problem and reveal the reasons, which impede efficient lease of communal property.

The following SOCIS specialists were involved in this research:

Oleg Kershish - Project Manager
Svitlana Vynoslavskya - Consultant
Oksana Bandurovych - Consultant

This report has been made in English and Ukrainian. In case of any differences the Ukrainian version will prevail.

Copies of the report are available at BIZPRO office:

11, Myhaylivska Str., 3rd floor, Kyiv, 01001, Ukraine
tel: 380-44-568-5938
fax: 380-44-568-5939